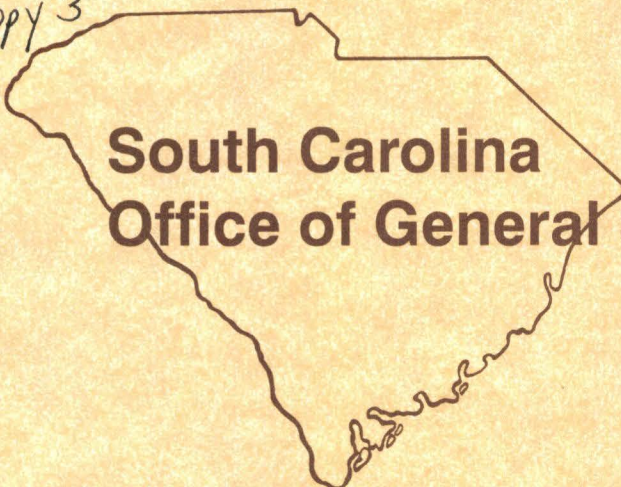


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PROCUREMENT AUDIT AND CERTIFICATION

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SOUTH CAROLINA DEPARTMENT OF
PARKS, RECREATION AND TOURISM

AGENCY

APRIL 1, 1994 - DECEMBER 31, 1996

DATE

**SOUTH CAROLINA DEPARTMENT OF PARKS, RECREATION AND
TOURISM**

PROCUREMENT AUDIT REPORT

APRIL 1, 1994 - DECEMBER 31, 1996

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NOTE: The Department's response to issues noted in the report have been inserted immediately following the issues they refer.

STATE OF SOUTH CAROLINA
State Budget and Control Board
OFFICE OF GENERAL SERVICES



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VOIGHT SHEALY
ASSISTANT DIRECTOR

May 9, 1997

Mr. R. Voight Shealy
Materials Management Officer
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of the South Carolina Department of Parks, Recreation and Tourism for the period April 1, 1994 through December 31, 1996. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and Department procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the South Carolina Department of Parks, Recreation and Tourism is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurances of the integrity of the procurement process, that affected assets are safeguarded against loss from

unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions, as well as our overall examination of procurement policies and procedures, were conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report that we believe need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place the South Carolina Department of Parks, Recreation and Tourism in compliance with the Procurement Code and ensuing regulations.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the South Carolina Department of Parks, Recreation and Tourism. Our on-site review was conducted February 3 - 20, 1997, and was made under Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

Additionally, our work was directed toward assisting the Department in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which include:

- (1) to ensure the fair and equitable treatment of all persons who deal with the procurement system of this State
- (2) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds of the State
- (3) to provide safeguards for the maintenance of a procurement system of quality and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process

BACKGROUND

Section 11-35-1210 of the South Carolina Consolidated Procurement Code states:

The (Budget and Control) Board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Division of General Services shall review the respective governmental body's internal procurement operation, shall verify in writing that it is consistent with the provisions of this code and the ensuing regulations, and recommend to the Board those dollar limits for the respective governmental body's procurement not under term contract.

On August 24, 1994, the Budget and Control Board granted the Department the following procurement certifications:

<u>Procurement Area</u>	<u>Limit</u>
Goods and Services	\$25,000 per commitment
Information Technology in accordance with the approved Information Technology Plan	\$25,000 per commitment
Consultants Services	\$10,000 per commitment
Construction Services	\$50,000 per commitment

Our audit was performed primarily to determine if re-certification is warranted. Additionally, the Department requested the following increased certification limits.

<u>Procurement Area</u>	<u>Limit</u>
Goods and Services	\$ 25,000 per commitment
Information Technology in accordance with the approved Information Technology Plan	\$ 25,000 per commitment
Consultants Services	\$ 25,000 per commitment
Construction Services	\$100,000 per commitment

SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of the South Carolina Department of Parks, Recreation and Tourism and its related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected judgmental samples for the period July 1, 1995 through December 31, 1996, of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, the scope of our audit included, but was not limited to, a review of the following:

- (1) All sole source, emergency and trade-in sale procurements for the period April 1, 1994 through December 31, 1996
- (2) Procurement transactions for the period as follows:
 - a) One hundred twenty-six payments, each exceeding \$1,500 from the period July 1, 1995 through December 31, 1996
 - b) A block sample of 400 sequential numbered purchase orders from FY97 reviewed for order splitting and favored vendors
 - c) An additional block sample of forty informal quotations from FY95
- (3) Four professional service contracts and eleven construction contracts for permanent improvement projects reviewed for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise Plans and reports for the audit period
- (5) Information technology plan approval for fiscal years 95-98
- (6) Internal procurement procedures manual
- (7) Surplus property procedures

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the South Carolina Department of Parks, Recreation, and Tourism, hereinafter referred to as the Department, produced findings and recommendations as follows:

	<u>PAGE</u>
I. Compliance-Sole Source and Emergency Procurements	
A. <u>Reporting Errors</u>	7
One sole source and three emergency transactions were not reported correctly.	
B. <u>Drug-Free Workplace Certification</u>	7
Two sole source procurements and two emergency procurements that exceeded \$50,000 did not have the drug-free certification.	
II. <u>Compliance - Goods and Services</u>	8
Two procurements had insufficient solicitations of competition.	

RESULTS OF EXAMINATION

I. Compliance - Sole Source and Emergency Procurements

We reviewed all sole source and emergency procurements and trade-in sales with supporting documentation for the period April 1, 1994 through December 31, 1996. We found these procurements to be in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations with the following exceptions.

A. Reporting Errors

We noted the following errors in the reporting of sole source and emergency procurements for the audit period.

<u>DATE</u>	<u>PO</u>	<u>AMOUNT</u>	<u>DESCRIPTION AND ACTION</u>
08/15/94	000494	\$ 4,504	Sole source reported twice
07/22/94	C42770	356,157	Emergency reported twice
07/31/96	000496	15,000	Emergency reported as sole source
09/11/96	000884	18,480	Emergency procurement not reported

Section 11-35-2440 requires that governmental bodies submit a listing of all contracts made as a sole source or emergency quarterly. The reporting errors listed above have resulted in an overstatement of sole source and emergency dollars reported to the Materials Management Office.

We recommend the Department review internal procedures to ensure correct reporting in these areas and amend the quarterly reports for the items listed above.

DEPARTMENT RESPONSE

We have reviewed internal procedures to ensure correct reporting in these areas and the quarterly reports for the items listed above have been amended.

B. Drug-Free Workplace Certification

Four procurements exceeding \$50,000 were not supported by the required drug-free workplace certification. Section 44-107-10 et seq. of the South Carolina Code of Laws requires on any contract of \$50,000 or more that the recipient certify that maintain a drug-free workplace.

Sole source and emergency procurements are subject to this law. The statute requires the vendor to certify that his company is in compliance with the South Carolina Drug-Free Workplace Act.

<u>DATE</u>	<u>PO</u>	<u>AMOUNT</u>	<u>TYPE</u>	<u>DESCRIPTION</u>
08/04/95	00143	\$ 65,000	Emergency	Distribution of vacation guides and maps
10/05/95	01233	\$118,502	Emergency	Modular cabins
11/29/95	01494	141,007	Sole Source	Sewer impact fees
03/18/96	02670	150,000	Sole Source	Complete strategic work plan for Department

We recommend the Department obtain the drug-free workplace certification on future sole source and emergency procurements that exceed \$50,000.

DEPARTMENT RESPONSE

We will obtain the drug-free workplace certification on future sole source and emergency procurements that exceed \$50,000.

II. Compliance - Goods and Service

The Department did not solicit the minimum number of quotes for two procurements.

<u>QUOTE</u>	<u>AMOUNT</u>	<u>VENDORS SOLICITED</u>	<u>DESCRIPTION</u>
96-039	\$24,999	4	Fumigation of golf course greens
96-043	14,784	4	Golf course grass sprigging

Section 11-35-1550(2)(d) of the Code for purchases from \$10,001.00 to \$25,000.00 states in part, "Written solicitation of written quotes from a minimum of five qualified sources of supply shall be made. The procurement shall be advertised at least once in the South Carolina Business Opportunities publication". Although the above quotes were advertised, the minimum number of bidders were not solicited.

We recommend the Department solicit the minimum number of bidders. If the minimum number of qualified bidders required cannot be solicited, the purchasing agent should certify in writing that all known sources were solicited.

DEPARTMENT RESPONSE

This was an oversight. We will solicit the minimum number of bidders or provide a written determination that all known sources were solicited when the required number of bidders cannot be solicited.

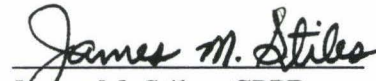
CERTIFICATION RECOMMENDATIONS


As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place the South Carolina Department of Parks, Recreation and Tourism in compliance with the Consolidated Procurement Code and ensuing regulations.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend the South Carolina Department of Parks, Recreation and Tourism be re-certified to make direct agency procurements for three years up to the limits as follows.

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Goods and Services	*\$ 25,000 per commitment
Information Technology in accordance with the approved Information Technology Plan	*\$ 25,000 per commitment
Consultants Services	*\$ 25,000 per commitment
Construction Services	*\$100,000 per commitment

*This means the total potential purchase commitment to the State whether single year or multi-term contracts are used.


James M. Stiles, CPPB
Audit Manager


Larry G. Sorrell, Manager
Audit and Certification

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VOIGHT SHEALY
ASSISTANT DIRECTOR

May 29, 1997

Mr. R. Voight Shealy
Materials Management Officer
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have reviewed the response from the South Carolina Department of Parks, Recreation and Tourism to our audit report for the the period of April 1, 1994 - December 31, 1996. Also we have followed the Department's corrective action during and subsequent to our field work. We are satisfied that the Department has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend the Budget and Control Board grant the South Carolina Department of Parks, Recreation and Toursim the certification limits noted in our report for period of three years.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Larry G. Sorrell'.

Larry G. Sorrell, Manager
Audit and Certification

LGS/tl

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